

Another Hill Probe Set On Bank's Arms Deals

By George C. Wilson
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The Senate is set to follow the House's lead and look into the arms dealings of the Export-Import Bank next week.

The Senate Banking and Currency Committee tentatively has decided to meet Tuesday on the issue, with the focus on the secret "Country X" loans the Pentagon underwrites.

The Johnson Administration, already upset by the adverse congressional reaction to disclosures that the bank is loaning foreign nations money for American arms, is trying to beat back amendments that would cripple the Pentagon's arms sales program.

Pentagon, Treasury and State Department officials met last night in the office of Under Secretary of State Nicholas deB. Katzenbach to discuss how to handle the storm of congressional protest against U.S. arms sales.

The consensus, according to officials who were there, was that the Johnson Administration could weather that storm best by stressing that arms distribution is a vital part of U.S. foreign policy.

The Administration has put together several memos making this point but so far has shielded away from any frontal assault on congressional critics.

Defense Secretary Robert S. McNamara did tell a group of

women reporters yesterday, however, that the State Department—not Pentagon arms salesmen—has the final say on which foreign nations receive American arms.

Intent to Hide Denied

McNamara said the Pentagon had not intended to hide its Country X dealings from Congress. The arms loans to foreign countries which the Pentagon backs are reported to the Foreign Relations and Defense Appropriations Committees of the House and Senate.

The House Banking and Currency Committee, which does not receive such Pentagon reports, started the ruckus on Monday when it looked into the arms dealings of the Export-Import Bank.

The Pentagon is willing to keep the banking committees informed about Country X loans but hopes to avoid having to get advance Congressional approval for such loans.

The Pentagon has been the middleman on these loans. The Export-Import Bank hands money over to the Pentagon to distribute to chosen foreign nations so they can buy American arms. The Pentagon agrees to repay the loan if the nation does not.

Congressional amendments in the works range from an outright ban on Export-Import Bank Country X loans to a dollar limit on them.

These and other amendments will be offered when the bill to extend the life of the bank five years beyond June 30, 1968, and increase its lending authority comes up for voting in the Senate and House.

Defense Department officials contend much of the congressional criticism is unjustified. They said in interviews yesterday—without letting their names be used—that Democrats as well as Republicans in Congress had pushed the Pentagon in the past to sell arms rather than give them away.

Small Amount Cited

These same Pentagon officials said the Country X loans comprised a relatively small amount of total arms sales. The five-year total of American arms sale to foreign nations from fiscal 1962 through 1966 breaks down this way, they said:

A total of \$11.1 billion in arms sales was signed or promised, with \$8 billion of that total straight-out cash deals. The remaining \$3.1 billion in arms were sold on credit.

Of that \$3.1 billion, the Export-Import Bank loaned \$2 billion to developed countries like Australia, Britain, Italy and New Zealand so they could buy arms.

The remaining \$1 billion was split almost evenly between Country X loans and



U.S. Army Photo

HENRY J. KUSS JR.

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credit the Pentagon itself extended to foreign nations for American arms.

Of the roughly \$500 million in Country X loans for fiscal 1962 through 1966, Pentagon officials said about \$800 million went to Iran; \$75 million to Saudi Arabia, and \$40 million to Taiwan.

Changes Sought

Henry J. Kuss Jr. is the Pentagon's chief arms salesman with the title of deputy assistant secretary for international logistics negotiations.

While Kuss and his counterparts in State and Treasury intend to continue "business as usual," there is growing pressure for changes.